

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FBOE-00 A-01 L-03 /014 W

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R 150238Z SEP 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4563

INFO AMEMBASSY TOKYO

UNCLAS KUALA LUMPUR 5278

DEPT PASS EA/EX

TOKYO FOR FBO IVIE

E.O. 11652: N/A

TAGS: ABLD, MY

SUBJECT: PROPOSAL TO LEASE CHANCERY

1. WE ARE CONTINUING NEGOTIATIONS ON THE EXCHANGE OF OUR PRESENTLY OWNED PROPERTY FOR A NEW CHANCERY SITE. THE OWNERS OF THE NEW SITE HAVE FINALLY AGREED ON AN OPTION (AFTER THREE REVISIONS) AND WE WILL BE PROCEEDING ALONG THE LINES OUTLINED IN STATE 180828.

2. WHILE PURSUING THIS ESSENTIALLY LONG, OR AT LEAST MEDIUM TERM OBJECTIVE, WE ALSO MUST FACE UP TO A MORE IMMEDIATE PROBLEM. OUR PRESENT LEASE IN THE AIA BUILDING RUNS OUR ON JANUARY 1 AND WE WILL HAVE TO NOTIFY THE MANAGEMENT BEFORE NOVEMBER 1 OF OUR INTENTIONS. WE HAVE ONE MORE OPTION TO RENEW, GOOD FOR TWO YEARS. ALTHOUGH AIA MANAGEMENT WOULD LIKE US OUT, WE EXPECT THEM TO HONOR THAT OPTION IF WE SO DESIRE. THERE IS EVERY REASON TO BELIEVE, HOWEVER, WE WILL BE FORCED TO VACATE WHEN TWO MORE YEARS ARE UP.

3. IN SHORT NO MATTER WHAT WE DO, WE ARE GOING TO BE FORCED TO LOOK FOR NEW SPACE STARTING NEXT YEAR. EVEN IF EVERYTHING FELL INTO PLACE (A DIRECT CONTRADICTION OF MURPHY'S LAW), THERE IS NO POSSIBILITY THAT WE WILL

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HAVE FOUND PROPERTY, SECURED FBO APPROVALS, MADE ENGINEER-

ING STUDIES, AND BUILT A NEW CHANCERY BEFORE BEING FORCED OUT OF OUR PRESENT QUARTERS. IN FACT, IT IS ONLY REALISTIC TO THINK IN TERMS OF AT LEAST A TWO-YEAR GAP.

4. UNDER THE CIRCUMSTANCES, SABAH HOUSE STILL LOOKS LIKE A FEASIBLE SOLUTION. WE PROPOSE, THEREFORE, THAT WE ATTEMPT TO LEASE IT NOW, WITH AN OPTION TO BUY. WE MAY BE ABLE TO GET IT WITHIN OUR PRESENT RENTAL EXPENDITURES WHICH ARE:

FACILITY	MONTHLY RENTAL	
AIA BUILDING	M\$32,566	US\$13,026
LINCOLN CULTURAL CENTER	4,000	1,600
INTERNATIONAL REVENUE SERVICE	1,765	706
TOTAL MONTHLY RENTAL	38,331	15,332
	X 12	X 12
YEARLY RENTAL	M\$459,972	US\$183,984

5. WE BELIEVE RELOCATION EXPENSES WILL BE IN THE RANGE OF US\$127,000. THESE ARE COSTS (TRANSPORTATION, RESTORATION OF AIA FACILITY AND LCC, AND ADAPTION OF THE SABAH HOUSE) THAT WILL BE INCURRED REGARDLESS OF WHERE THE EMBASSY IS RELOCATED.

6. THE RENTAL FIGURES SHOWN ABOVE SUGGEST THAT IF THEY WERE STATIC (WHICH THEY ARE NOT) A PURCHASE OF SABAH HOUSE AT SAY M\$6 MILLION WOULD BE AMORTIZED IN 13 YEARS. WE MIGHT EVEN BE ABLE TO INCLUDE A CLAUSE IN A LEASE WHEREBY RENTALS PAID WOULD BE APPLIED TO THE PURCHASE PRICE SHOULD THE USG FINALLY PURCHASE THE PROPERTY.

7. IN SUM, OUR PROPOSITION IS TO NEGOTIATE A LEASE ON THE SABAH HOUSE WITH AN OPTION TO BUY AT M\$6 MILLION (OR LESS) WHILE AT THE SAME TIME PURSUING THE EXCHANGE OF PROPERTY NEGOTIATIONS WITH HING FUNG SDN. BHD. IF BOTH NEGOTIATIONS HAPPEN TO COME TO FRUITION THE GOVERNMENT WOULD GAIN. WE WOULD HAVE A LEASED (OR GOVERNMENT OWNED) CHANCERY AT THE SABAH HOUSE AND ALMOST ACROSS THE STREET WE WOULD HAVE PROPERTY CONTAINING UNCLASSIFIED

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FOUR APARTMENTS (TWO CURRENTLY UNDER EMBASSY LEASE), A REPRESENTATIONAL RESIDENCE, AND ONE OTHER HOUSE AND LAND FOR WHATEVER PURPOSE MIGHT BE REQUIRED.

8. REQUEST DEPARTMENT'S AUTHORIZATION TO TAKE UP WITH SABAH GOVERNMENT POSSIBILITY OF LEASING SABAH HOUSE. UNDERHILL

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